

INFORMATION BULLETIN #59

INCOME TAX

JANUARY, 2003

(Replaces Information Bulletin # 59 dated September 1997)

DISCLAIMER: Information Bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is inconsistent with the law, regulations, or court decisions is not binding on the Department or the taxpayer. Therefore, information provided in this Bulletin should only serve as a foundation for further investigation and study of the current law and procedures related to its subject matter.

SUBJECT: Application of Tax Credits Available to Taxpayers

REFERENCES: IC 6-3-3; IC 6-3.1

INTRODUCTION:

There are numerous Indiana tax credits available for individual, fiduciary, partnership and corporate taxpayers. The credits should be claimed when the annual income tax return is filed. In the case of partnerships, S Corporations and limited liability companies, some credits are allocated to the partners, shareholders, or members of the entity.

I. REFUND OF CREDITS CLAIMED

Credits are divided into three categories: 1) nonrefundable; 2) non-refundable with carryover allowances; and 3) refundable. Nonrefundable credits are those credits which may be used to reduce a current year tax liability, but are limited to the total amount of tax due. Nonrefundable credits with carryover allowances are those credits which are used to reduce a tax liability, and allow any amount in excess of the liability to be used against a subsequent year's liability. Refundable credits are those credits that provide for the amount in excess of the claimant's tax liability to be refunded to the taxpayer.

II. CREDITS AVAILABLE TO TAXPAYERS

The following table lists the credits available to taxpayers. The credits should be applied against the tax due in the order listed with all nonrefundable credits used first, nonrefundable credits with carryover allowances used second, and refundable credits used last. The type of tax to which the credit may be applied is listed, and if the credit can be applied against more than one tax type, then the additional tax types are listed in the order to be applied. Claims for credits administered by agencies other than the Department should be supported by a separate calculation and certification from the appropriate agency of the amounts eligible for credit.

SEE BOTTOM OF CHART FOR EXPLANATION OF TERMS

CREDIT	TAX	CREDIT LIMITATIONS
<u>Non Refundable Credits</u>		
Taxes paid to other states IC 6-3-3-3 *	AGIT	Amount of state income tax liability
Local taxes paid outside of Indiana IC 6-3.5-1.1-6 & IC 6-3.5-6-23*COIT	CAGIT	

Charitable contributions to higher education institutions IC 6-3-3-5	AGIT	50% of contribution up to \$100 for single, \$200 for joint return, or 10% of corporation adjusted gross income tax liability up to \$1,000 per entity
County credit for elderly or permanently disable IC 6-3.5-1.1-7, IC 6-3.5-6-24 IC 6-3.5-7-9*	CAGIT COIT CEDIT	Based on Federal Schedule R
Twenty-first century scholars program support fund IC 6-3-3-5.1	AGIT	Same limits as college contributions credit
Teacher summer employment credit IC 6-3.1-2 Board of Education	AGIT FIT	Lesser of \$2,500 or 50% of wages paid, maximum amount of credit for all taxpayers is \$500,000 per fiscal year.
Prison investment credit IC 6-3.1-6# Dep't of Correction	AGIT	50% of qualified investment plus 25% of wages paid.
Neighborhood assistance credit IC 6-3.1-9 # Dep't of Commerce	AGIT FIT	Lesser of 50% of investment or or \$25,000. Maximum for all taxpayers, \$2,500,000 per year.
Individual development account IC 6-3.1-18 #	AGIT FIT	50% of contributed amount if contribution is less than \$50,000. Total statewide impact is \$200,000 per year.
Use tax credit IC 6-2.5-3-5	SALES	Limited up to 6% credit for qualified property purchased out of state

Nonrefundable credits with carry forward

Community revitalization enhancement district IC 6-3.1-19 # Dep't of Commerce	AGIT FIT INSUR CAGIT COIT CEDIT	25% of the qualified investment
Enterprise zone employer Expense credit IC 6-3-3-10 # Ten-year carry forward Three year carry back	AGIT FIT INSUR	Lesser of 10% of increased expenditures, or \$1,500 per employee
Research expense credit IC 6-3.1-4 # Fifteen year carry forward	AGIT	10% of the Indiana qualified research expense without apportionment.
Enterprise zone loan interest credit IC 6-3.1-7 # Ten-year carry forward	AGIT FIT INSUR	5% of interest received from a qualified loan.
Enterprise zone investment cost credit IC 6-3.1-10 # Dep't of Commerce Indefinite carry forward	AGIT	Maximum 30% of investment depending on number of employees, type of business and amount of investment.
Industrial recovery tax credit IC 6-3.1-11 # Enterprise Zone Board Indefinite carry forward	AGIT INSUR FIT	Maximum of 25% of the cost of investment depending on the age of the facility.
Military base recovery credit IC 6-3.1-11.5 # Enterprise Zone Board	AGIT INSUR FIT	Same parameters as the industrial recovery tax credit.

Indefinite carry forward

Capital Investment Tax Credit IC 6-3.1-13.5 # Department of Commerce 3 year carry forward	AGIT INSUR FIT	Credit is equal to 14% of the qualified investment. To qualify for the credit, the employee's average wages must exceed the county average wage.
Maternity home tax credit IC 6-3.1-14 St. Board of Health Indefinite carry forward	AGIT	Lesser of \$200 per pregnant woman, or \$3,000 per home. Maximum total credit allowable of \$500,000 per state fiscal year.
Historic rehabilitation tax credit IC 6-3.1-16 # Natural Resources Dep't Fifteen year carry forward	AGIT	20% of qualified expenditures. Maximum total credits allowable of \$450,000 per state fiscal year
Riverboat building credit IC 6-3.1-17 Dep't of Commerce Indefinite carry forward	AGIT INSUR FIT SALES	15% of the qualified investment Maximum total credits allowable of \$1,000,000 per state fiscal year
Community Revitalization Enhancement District Tax Credit IC 6-3.1-19 Department of Commerce Indefinite carry forward	AGIT CAGIT COIT CEDIT INSUR FIT	Credit is equal to 25% of the qualified investment made by the taxpayer during the taxable year.
Residential Historic Rehabilitation Credit IC 6-3.1-22 Natural Resources Dep't Fifteen year carry forward	AGIT	Credit is equal to 20% of qualified expenditure that the preservation or rehabilitation of historic property. The total amount of all credits allowed may not exceed \$250,000 per fiscal year.

Rerefined Lubrication Oil Facility Credit IC 6-3.1-22.2# Department of Commerce Two year carry forward	AGIT INSUR FIT SALES	The credit is the percentage of credit listed below multiplied by the amount of property taxes paid. <table><tr><td><u>Year</u></td><td><u>Percentage</u></td></tr><tr><td>2001</td><td>100%</td></tr><tr><td>2002</td><td>80%</td></tr><tr><td>2003</td><td>60%</td></tr><tr><td>2004</td><td>40%</td></tr><tr><td>2005</td><td>20%</td></tr></table>	<u>Year</u>	<u>Percentage</u>	2001	100%	2002	80%	2003	60%	2004	40%	2005	20%
<u>Year</u>	<u>Percentage</u>													
2001	100%													
2002	80%													
2003	60%													
2004	40%													
2005	20%													
Voluntary Remediation Tax Credit IC 6-3.1-23# Dep't of Environmental Management Indiana Development Finance Authority Five year carry forward	AGIT INSUR FIT SALES	The credit is the lesser of \$100,000 or 10% of the qualified investment. The total amount of credits allowed in a fiscal year may not exceed \$1,000,000.												
Indiana Comprehensive Health Insurance Assn. IC 27-8-10-2.1(n)(1) Unlimited carry forward Department of Insurance	INSUR AGIT	An insurance company may claim a credit against its tax liabilities for the assessment(s) paid to the association during the calendar year.												
Guaranty Association Credit IC 27-6-8-15 & IC 27-8-8-16 Unlimited carry forward Department of Insurance	INSUR AGIT	The tax credit may not exceed 20% of the assessment paid to the association in the preceding calendar year.												
<u>Refundable Credits</u>														
Taxes withheld from wages IC 6-3-3-1 *	AGIT	Total withholding from wages												
Unified credit for the elderly IC 6-3-3-9 *	AGIT	Minimum of \$40, maximum of \$140 depending on income and												

Marital status.

Credit for estimated tax paid IC 6-3-4-4	AGIT FIT	Taxpayer eligible for credit for estimated taxes paid.
Economic development for Growing economy tax credit IC 6-3.1-13 # Dep't of Commerce	AGIT INSUR FIT	Amount of withholding tax remitted by employer for qualified new employees, and retention of current employees. The maximum aggregate amount of job retention credits is limited to \$5,000,000 per year in FY 2004 and FY 2005.
Income Tax Credit for Property Taxes Paid on Homesteads in Lake County IC 6-3.1-20*	AGIT	Credit for property tax as paid if the individual's earned income is less than \$18,600 per year. The credit is limited to the lesser of \$300 or the amount of property taxes paid.
Earned income tax credit IC 6-3.1-21 *	AGIT	6% of the federal earned income tax credit amount.

* = Applies to individuals only

= Applies to pass through entities

AGIT = Adjusted gross income tax

CAGIT – County adjusted gross income tax

COIT – County option income tax

CEDIT – County economic development income tax

INSUR = Insurance premium tax

FIT = Financial institutions tax

SALES = Sales tax

Agencies administering the various tax credits in cooperation with the Department of Revenue can be contacted at the following addresses.

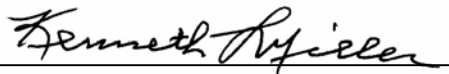
Teacher Summer Employment Credit	Indiana Dep't of Education Room 229 State House Indianapolis, IN 46204
Prison Investment Credit	Indiana Dep't of Correction Office of the Commissioner Indiana Gov't Center South Room E334 Indianapolis, IN 46204
Neighborhood Assistance Credit	Indiana Dep't of Commerce Community Development Div. One North Capitol, Suite 700 Indianapolis, IN 46204
Enterprise Zone Investment Cost Credit	Indiana Dep't of Commerce One North Capitol, Suite 700 Indianapolis, IN 46204
Maternity Home Tax Credit	Indiana State Dep't of Health 2 N. Meridian St. 3 rd Floor Indianapolis, IN 46204
Historic Rehabilitation Tax Credit Residential Historic Rehabilitation Tax Credit	Dep't of Natural Resources Historic Preservation and Archaeology Division Indiana Gov't Center South Room W-274 Indianapolis, IN 46204
Riverboat Building Tax Credit	Indiana Dep't of Commerce One North Capitol, Suite 700 Indianapolis, IN 46204

Economic Development for a
Growing Economy Tax Credit
Community Revitalization Enhancement
District Tax Credit
Rerefined Lubrication Oil
Facility Tax Credit

Indiana Dep't of Commerce
One North Capitol, Suite 700
Indianapolis, IN 46204

Voluntary Remediation Tax Credit

Indiana Dep't of
Environmental Management
Indiana Gov't Center North
Room N1101
Indianapolis, IN 46204
and Indiana Development
Finance Authority
One North Capitol, Suite 320
Indianapolis, IN 46204



Kenneth L. Miller
Commissioner